Canada's oil, gas sector sidestepping Paris Agreement

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Over the past decade, we have seen a variety of climate-related commitments from companies in Canada's oil and gas sector.

At first blush, it might seem we're making progress, at least acknowledging the problem and committing to being part of the solution. Yet, a deeper look reveals a less-than-rosy picture of the role that Canadian oil and gas companies are playing in relation to Canada's climate targets, regulations and the road map to get to net zero.

Without a doubt, the most important work any company could do right now is commit to - then get to work on - reducing emissions in absolute terms. But there are other important ways the oilpatch impacts climate action on a national and global scale, or sets up roadblocks to it.

One of these is the extent to which its government relations, or "lobbying" activities, do or do not align with the climate actions Canada must undertake to prevent the worst impacts of climate change from wreaking havoc on our planet.

A rapidly growing number of investors are coming together to look deeply at the companies they hold, and carefully assess their management of climate risks. But shareholder advocacy and company voluntary commitments alone will not get us to net zero in time. The intervention of governments and regulators is needed to meaningfully and aggressively reduce greenhouse gas emissions. Simply put, companies that actively support strong public policy on climate are aligned.

Those who fight it, or remain silent, are not.

The Shareholder Association for Research and Education (SHARE) recently assessed and ranked 13 Canadian oil and gas companies on the TSX Capped Energy Index on the quality of their lobbying disclosure, including their public position, policies and commitments, governance and management, transparency, and overall alignment.

The findings indicate that while companies have made progress to address some disclosure gaps, all 13 oil and gas companies fail to demonstrate how their association memberships align with Paris Agreement's goals.

In 2020, SHARE conducted research of a similar nature, setting an initial benchmark of 22 companies listed in the S&P/TSX Capped Energy Index. Since then, we have started to see some modest progress in the oil and gas sector, but the overall quality of disclosure in the Canadian oil and gas sector still remains quite low.

On average, companies scored below the 40th percentile across all categories(Suncor and PrairieSky Royalties are the only companies that scored above 50 per cent, with PrairieSky having significantly improved its disclosure, receiving a score of 80 per cent).

This overall lack of transparency contrasts with the progress observed in the U.S. and Europe, within and outside the oil and gas sector. In 2021, several U.S. heavy emitters, including Exxon Mobil, published stand-alone reports reviewing the alignment of their industry association memberships with the Paris ambition in response to investor pressure. Information regarding a company's approach to climate, including position, policy and commitment, constitutes the first step toward transparency.

Climate-concerned investors want and need to understand how companies position themselves on climate issues, especially in relation to the Paris Agreement.

A pathway, inclusive of lobbying activity, that is consistent with a 1.5 C limit to global temperature rise is only possible if the private sector - especially actors that contribute the most to global warming, namely oil and gas companies - redirect their lobbying efforts to actively support aggressive government action to stop the worst impacts of climate change.

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